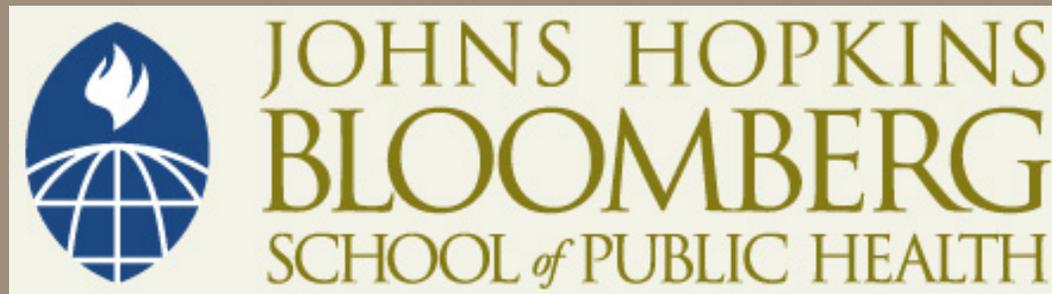


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Who Benefits from Obesity in the Economy

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Section A

The Idea behind “Benefitting” from a High Prevalence of Obesity

Acknowledgement

- Many of the principles outlined in this lecture are derived from the work of Eric A. Finkelstein and Laurie Zuckerman, authors of *The Fattening of America*.

What Do We Mean by “Benefit” from Obesity?

- Make use of entrepreneurial opportunities
 - Entrepreneurs may be able to make a profit in other sectors
 - ▶ However, there are many examples of ways in which entrepreneurs have taken advantage of opportunities that are presented by the prevalence of obesity in the economy and would have to find some other way to make money if the prevalence of obesity were to decrease significantly
 - The economy would find a way to make use of resources but the distribution of benefits may change

Weight Loss Industry

- Diet centers, diet programs, diet camps
- Pre-packaged foods
- Over-the-counter diet drugs
- Diet patches
- Fat blockers and starch blockers
- Weight loss books and magazines
- Nutritionists
- Exercise clubs
- Reduced calorie products
- Fats and sugar substitutes

Other Industries that Make Money from Obesity

- Prescription pharmaceuticals
- Surgery
- Furniture
- Medical supplies
- Transportation
- Sporting goods
- Exercise entertainment

Demand for Goods from the Weight Loss Industry

- People who are heavier have a demand for any solution
 - As the prevalence of obesity goes up the demand shifts outward
 - ▶ Greater quantity at any price
- People with more money and little time have a demand for quick solutions
 - If income goes up and this comes from working harder it will push up the demand for particular solutions

What Happens When Demand Shifts?

- The results of a shift in demand depend on the type of market
 - Is it competitive or does it have monopolistic characteristics?
 - ▶ An industry may be characterized by firms with legal monopolistic protection
 - Pharmaceutical patents
 - ▶ An industry may be characterized by product differentiation
 - Finkelstein mentions Curves—a fitness center specifically for women

Industries Related to Obesity

- Are industries related to obesity characterized by competition?
 - Some are, although the whole point of developing products specifically for obese individuals is product differentiation
 - If one firm is innovative in developing a product specifically for obese individuals, the demand for their product will likely be a lot less elastic (i.e., price sensitive) than the demand for products for non-obese individuals